

September 19, 2008

Inquiry into Pricing of Recycled Water in WA
Economic Regulation Authority
PO Box 8469
Perth Business Centre,
PERTH WA 6869

Dear Sir/Madam

RE: Submission to Inquiry into Pricing of Recycled Water in Western Australia.

Kwinana Industries Council (KIC) supports the broader policy points outlined in the submission prepared by the Chamber of Commerce and Industry Western Australia.

KIC has carried out extensive research work into the current and future water needs of the Kwinana Industrial Area and makes the following comment on the Inquiry into Pricing of Recycled Water in Western Australia:

The sustainability of existing and new industrial development in the Kwinana region is dependent on the provision of reliable water supplies.

Natural groundwater is almost fully allocated and there is an opportunity to utilize recycled wastewater from the Sepia Depression Ocean Outfall Line (SDOOL) or the Kwinana Wastewater Treatment Plant to protect and supplement existing industrial water supplies.

Recycle water use based upon 'managed aquifer recharge (MAR)' could provide a supply of industrial water exceeding current groundwater supplies with equivalent water quality at low cost. Considering the potential demand, applicable water quality criteria, SDOOL location and the hydrogeology, Kwinana would seem to be ideally placed to take advantage of this opportunity.

Industry should be encouraged to use recycled water in place of potable water sources by making it readily available and at a price that provides an incentive to use it.

The Water Corporation's KWRP provides high quality water to some industries however it is relatively expensive compared to other options.

Water quality should be fit for purpose and priced according to the quality (not as it currently is which is full cost recovery plus an economic return to the participants).

Pricing should reflect the value to the primary wastewater infrastructure owner of third parties using recycled water as it leads to deferment of major

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capital expenditure on duplicating or upgrading the infrastructure for wastewater disposal. For example the KWRP takes its source water from the SDOOL and this creates space (additional volume capacity) in the SDOOL for additional sewage connections and defers major cost of duplicating the SDOOL when it reaches capacity.

Pricing needs to recognise the significant environmental benefits that arise from use of recycled water that avoids discharges into the environment

Rebates will be needed if large scale use of recycled water is desirable as often it is priced higher than the alternative potable supply.

Major industry should be treated in the same way as other users of recycled water with respect to access and water tariffs.

The applicability of a base charge to gain access to recycle water in the absence of real competition for its use needs to be examined. Such a charge has the potential to adversely influence the development of recycle water use.

Recycle water pricing should reflect capital and operating costs as well as environmental and social benefits and be subject to review by an independent body.

Positive economic incentives such as water charge rebates should be considered to help achieve the State Government's target of 30% reuse by 2030.

Disincentives to taking water such as highly restricted take or pay contracts should not be used. This actually limits the use of the water as Industry only signs up for the water they will definitely use and then can't take more even if it is available.

Water Corporation is in a dominant market position to determine the expansion of recycle water use in the Kwinana Industrial Area. They have a vested interest in securing contracts for supplies of KWRP water and may use their position to influence the development of other options such as MAR.

Health regulation issues are a disincentive to take water. This needs to be taken into account when pricing the water as industry may incur additional financial burden to manage this.